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# Atlantic Richfield Company

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November 2, 2010

*Electronic Mail and Hand Delivery*

Mr. David Akers  
Colorado Department of Public Health and Environment  
Water Quality Control Division  
4300 Cherry Creek Drive South  
Denver, CO 80222-1530

Re: St. Louis Tunnel and Ponds, Rico CO

Dear Dave:

In our telephone conference last week, you acknowledged receipt of my October 20, 2010 letter to Steve Way, EPA, concerning future activities at the St. Louis Tunnel and Ponds Site near Rico. As we discussed, I am providing this letter to the Water Quality Control Division to further describe the process by which Atlantic Richfield proposes to integrate permitting of a new treatment system at Rico with EPA's proposal that Atlantic Richfield sign and perform certain investigation and design activities under an Administrative Order on Consent ("AOC"). The AOC with EPA would be entered under EPA's CERCLA authority.

The goal of the 2008 Water Quality Assessment (the "Assessment") for the Mainstem Dolores River was to support development of effluent limitations that would be incorporated into a discharge permit for a new St. Louis Tunnel water treatment system. For your convenience, I enclose a copy of the Assessment with this letter. Obtaining a CDPS permit for operation of the St. Louis Tunnel treatment system remains Atlantic Richfield's objective. Under the AOC, Atlantic Richfield envisions that certain tasks would be completed under EPA and State oversight. My October 20<sup>th</sup> letter to EPA briefly describes those tasks which include: assessment of the adit opening; design and construction of an on-site solids repository; and initial design of treatment system components. These tasks would be described in a Work Plan approved by EPA and attached to the AOC. Upon completion of the Work Plan tasks, which I estimate will require approximately two years, the AOC would terminate. At that point, Atlantic Richfield would complete final design and construction of the water treatment system prior to issuance of the discharge permit. The timing for completion of treatment system construction and issuance of the permit would be late 2013, which we discussed would mesh with the Division's estimated timeframe for permit development.

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Important to design of the treatment system, the Assessment considered both surface water and groundwater discharges from the Site to the Dolores River in development of proposed effluent limitations. Given the Division's familiarity with the Site and the water quality regulations potentially applicable to this project, Atlantic Richfield supports the Division's participation (or other State agencies with the requisite expertise) with EPA in oversight of the tasks that are completed under any AOC. By way of example, the application of Colorado regulatory requirements will be a key consideration for initial design of certain components of the treatment system, such as rehabilitation of the settling ponds, and design of the on-site repository for disposal of treatment solids. Also, specific to the solids repository, a Certificate of Designation will be obtained from Dolores County under state law, and CDPHE approval of the repository design is required to support Dolores County review. Thus, if a separate AOC process is pursued, we believe it is imperative that the AOC and permit development processes be integrated and coordinated to efficiently complete the investigations and develop final designs for construction.

Atlantic Richfield's August 4, 2010 CDPS Application conceptually describes the lime treatment system that Atlantic Richfield plans to construct. The Application includes a brief schedule for completion of design, system construction and start-up (Attachment 6). As Exhibit 1 to this letter, I am enclosing a more detailed schedule that focuses upon activities during the 2011 – 2012 period. The schedule includes a breakdown and description of tasks specific to treatment system design, rehabilitation of the settling ponds, and design and construction of the on-site solids repository. Through discussions with the State and EPA, we are open to further refining the schedule and sequence of tasks to mesh with the Division's expected timeframe for issuance of a CDPS permit.

In our discussion, you also asked that I summarize the status of Atlantic Richfield's efforts to secure access to properties required to re-establish the treatment system. The submitted CDPS Application requests issuance of a discharge permit to Atlantic Richfield as the treatment system operator. Atlantic Richfield will also obtain the Certificate of Designation for the on-site solids repository.

Atlantic Richfield, the Town of Rico and Rico Renaissance L.L.C. are Members of NorthRico, Inc, a Colorado non-profit corporation. NorthRico serves in a fiduciary capacity as Trustee of the NorthRico Trust which was formed principally to hold property and funds required to manage obligations related to the Soils VCUP work. Both the treatment system and repository will be constructed on lands owned by the NorthRico Trust. As between Atlantic Richfield and NorthRico, Atlantic Richfield funds the NorthRico Trust, and assumes all responsibilities and financial obligations for the properties on which the treatment-related operations are constructed, as well as all responsibility and financial obligations arising under the CDPS permit and Certificate of Designation for the solids repository. Should the NorthRico Trust terminate for any reason in the future, the lands and other assets of the Trust would, by agreement with NorthRico, transfer to Atlantic Richfield.

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Specific to land ownership in the area of the St. Louis Ponds and Tunnel discharge, certain parcels (patented claims) are privately owned, and the USFS manages other lands that partially underlie the existing ponds. These public lands are located within the San Juan National Forest. Atlantic Richfield now has control of certain of the private parcels upon which most of the treatment system will be located. We are continuing our efforts to secure access to the remainder of the private lands necessary to construct and operate the water treatment system. Atlantic Richfield has also met on a number of occasions with the USFS to discuss a Small Tracts Act transfer to obtain title to the public land required for water treatment operations. In the interim, investigations related to design of the water treatment system have been ongoing, as authorized under a special use permit issued by the USFS to Atlantic Richfield. Upon completion of the Small Tracts Act conveyance, property formerly managed by the USFS would be transferred to the NorthRico Trust.

I trust this letter provides the information to answer your questions. I am available to discuss further at your convenience. As always, I am most easily reached by my cell phone (406-491-1129). I will be in touch with you and EPA representatives to schedule a meeting in November to discuss and reach agreement upon the process and schedule for future Site investigations.

Respectfully,

A handwritten signature in cursive script that reads "Chuck Stilwell / W. Duffy". The signature is written in dark ink and is positioned above the printed name.

Chuck Stilwell, P.E.

cc: Steven Way, EPA  
Amelia Piggot  
Sheldon Muller  
Ron Halsey  
Robert Trull  
Steve Dischler  
Nathan Block